

Message Text

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ACTION EB-07

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E.O. 11652: N/A
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SUBJ: KLM REPORTS RETURN TO PROFIT

1. KLM HAD A NET PROFIT OF 77.1 MILLION GUILDERS (ONE DOLLAR NOW EQUALS 2.49 GUILDERS) FOR THE FINANCIAL YEAR 1976-1977 ENDING MARCH 1. THE PROFIT, THE FIRST SINCE 1971, COMPARES WITH A NET LOSS OF 18.6 MILLION GUILDERS IN THE FINANCIAL YEAR 1975-1976. REVENUES WENT UP BY EIGHT PERCENT TO 2.5 BILLION GUILDERS, WHILE THE OPERATING COSTS ROSE BY FIVE PERCENT TO 2.37 BILLION GUILDERS. THIS RESULTED IN A GROSS OPERATING PROFIT OF 126 MILLION GUILDERS WHICH MORE THAN DOUBLED COMPARED WITH THE 52.6 MILLION GUILDERS IN THE FINANCIAL YEAR 1975-1976.

2. THE BETTER THAN EXPECTED RESULTS ARE DUE MAINLY TO AN INCREASE IN TOTAL TRAFFIC OF FOUR PERCENT TO 1,239.7 MILLION TON/MILES, INCLUDING A RISE OF PASSENGER AND CHARTER TRAFFIC OF THREE PERCENT TO 656.6 AND 122.5 MILLION TON/MILES, RESPECTIVELY, AND A RISE OF SIX PERCENT OF FREIGHT AND MAIL TRAFFIC TO 438.8 AND 21.8 MILLION TON/MILES, RESPECTIVELY. #
PASSENGER MILES (IN MILLIONS) WERE 7,316 IN 1976/77 VS 6,977 IN 1975/76.

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PRODUCTION SHOWED A RISE OF THREE PERCENT, AND THE KLM LOAD FACTOR WENT UP FROM LAST YEAR'S 54.3 PERCENT TO 55.2 PERCENT. (BREAK-EVEN LOAD FACTOR DROPPED FROM 54.6 PERCENT IN 75/76 TO 53.1 PERCENT IN 76/77) KLM EXPECTS ITS TOTAL TRAFFIC GROWTH IN THE NEXT FEW YEARS TO AMOUNT TO SIX OR SEVEN PERCENT ANNUALLY.

3. ACCORDING TO KLM'S FINANCE DIRECTOR, DEVELOPMENTS IN THE FIRST TWO MONTHS OF THE CURRENT YEAR WERE FAVORABLE BUT PROSPECTS FOR TARIFFS AND COSTS ARE UNCERTAIN. WAGE COSTS WILL CERTAINLY RISE, FUEL COSTS ARE NOW STABLE BUT THIS MAY CHANGE, WHILE MATERIAL COSTS AND LANDING FEES ARE RISING SHARPLY. CURRENCY PARITIES WERE FAIRLY STABLE IN THE FIRST QUARTER BUT THEY REMAIN AN UNCERTAIN ELEMENT.

4. KLM PRESIDENT ORLANDINI NOTED THAT INVESTMENTS IN THE CURRENT YEAR WILL BE AT LEAST DOUBLE THE 45 MILLION GUILDERS OF LAST YEAR WITH 50 MILLION ACCOUNTED FOR BY A DEPOSIT ON TWO BOEING 747'S WITH MIXED FREIGHT/PASSENGER CAPACITY. NEW AIRCRAFT PURCHASES ARE EXPECTED TO NUMBER ONE OR TWO PER YEAR IN THE NEXT FEW YEARS.

5. CONCERNING A MCKINSEY STUDY WHICH LAST YEAR ADVISED ON VARIOUS FORMS OF COOPERATION BETWEEN KLM, SABENA AND LUXAIR, ORLANDINI SAID AN AGREEMENT ON THIS, IF ANY, IS AT LEAST SEVERAL YEARS AWAY. KLM HAS SHELVED THE REPORT FOR THE MOMENT.

6. ORLANDINI ALSO SAID KLM IS STUDYING PROPOSALS BY BRITISH AIRWAYS FOR AN AMSTERDAM-LONDON WALK-ON SHUTTLE SERVICE BUT THAT THIS IS NOT EXPECTED IN THE NEAR FUTURE. HE CONSIDERED IT UNLIKELY THAT KLM WOULD BE MUCH AFFECTED BY LAKER AIRWAYS' CHEAP SHUTTLE SERVICE TO THE U.S.

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